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Approved For Release 2002/10/10 : CIA-RDP79-01090A000200020009-9

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Weekly Contributions,  
(CIA Working Paper)

31 May 1949

1. CUBA: The Cuban public is apprehensive of the formation of a military intelligence service (GRAS), the establishment of which was authorized by the President in a decree of 11 May. GRAS has been described by the Chief of Staff, under whom it would function, as a small secret group whose purpose would be to exterminate all subversive activities engaged in by clandestine, extremist or seditious parties, groups, sects, gangs or individuals. The proposed organization is regarded by many as presaging the revival of the notorious strong-arm gang of Machado, which ruthlessly "liquidated" anti-Machado elements in cold blood, and also of Batista's detested military intelligence service. Some Cubans fear that the new organization will overstep its chief purpose of suppressing gangsterism and will become a strong-arm gang designed to throttle all opposition to the administration. Public indignation may prevent the actual establishment of this group. A bill for the suppression of GRAS has been introduced into the House of Representatives.

2. EL SALVADOR: US Citizen Ousted

The governing junta has expelled from the country J. H. Wilson, local manager of the International Railways of Central America, a United Fruit Company affiliate. As a result of this action, striking railway workers have returned to their jobs. Reports indicate that Wilson attributes the strike that led to his ouster to: (1) propaganda circulated among Salvadoran workers by Communist-dominated Mexican organized labor; (2) agitation by neighboring Guatemalan rail workers who oppose United Fruit Company interests; (3) radical influences within the Salvadoran Government that seek to promote mass unionization of the workers and alignment of El Salvador on the side of Guatemala against Nicaragua and Honduras in Central American power-balance rivalries. The government claims its action forestalled a public demonstration with anti-US overtones, the control of which would have necessitated force and violence.

[ ] estimates: (1) that Wilson's expulsion was primarily an astute political maneuver on the part of the junta, designed to preserve unity, to circumvent the pitfalls of leftism and rightism, and to avoid a violent display of political antagonisms which might endanger major policy objectives; (2) that the junta particularly desired termination of the strike because of the impending arrival of representatives of the International Bank for Reconstruction and Development, who will recommend whether or not the Bank should participate in the financing of the 16-million-dollar Lempa Hydroelectric Project. The strikers returned to work on the day these representatives arrived in San Salvador. US security interests have not been involved in the dispute.

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3. GUATEMALA: Medical reports indicate political stability. Advice to Colonel Francisco J. Arana by US medical specialists that he "live a normal life" augurs well for the continued stability of the Guatemalan Government. Arana, a leader in the military revolt of 1944 that overthrew Ponce and now chief of the armed forces, is probably the only man with sufficient strength and influence to lead a successful coup against the Arévalo government. Although more excitable followers have hoped he would commit himself to such action, he has consistently avoided involvement in revolutionary activity, stating his preference for legal election to the presidency in 1950. It is estimated that assurance from US specialists (whom he consulted in 1947) that his serious diabetic condition will recur "if he gets away from normal living" may account for his patient attitude.

4. BRAZIL: The independence of the Brazilian judiciary has been demonstrated by the Superior Electoral Court's decision declaring unconstitutional the law to fill congressional vacancies left by the cancellation of Communist mandates. Whereas, according to the Court, the Constitution requires that such vacancies be filled by new elections, the law called for distribution of the seats among the legal parties in a proportion based on their previous congressional votes --- a solution heavily favoring the government party and prejudicing the parties which have gained strength since the 1945 and 1947 elections. The Court's independence of action was the more impressive since the claim of unconstitutionality had been filed by the small but growing Social Progressive Party of Adhemar de Barros, Governor of São Paulo and presidential aspirant, whom the government party and members of the Dutra administration have continually attempted to eliminate.

5. BOLIVIA: Deportation of Labor Leaders sets off Strikes and Riots  
Labor disturbances seem to have been principally a prompt and explosive reaction of the miners to the government's forceful attempt, after receiving reports of revolutionary plots, to reach a showdown by deporting over 20 MNR leaders and labor agitators, including Senator Juan Lechin of the Federation of Mine Workers (FSTB). US Embassy La Paz reports that, in spite of its warning to the Bolivian Government on 27 May of the dangers to US personnel at the mines, the disposition of troops and other precautionary measures were taken too late to prevent casualties.

Strikes have spread to all major tin mines and at least one railway in the mining area has been affected. Since the railways are controlled by PIR-Communist-led unions, there is a possibility

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that the cooperation between MNR and PIR groups, [redacted] is taking place. If this cooperation develops on any major scale, the stability of the Bolivian Government would be in great danger. The government should, however, be able to weather a crisis if MNR is not supported by PIR and if the military persist in the loyalty shown thus far. The decree providing for mobilization of the civilians should also provide some additional strength for the government. In any case, the perennially weak government faces its greatest test to date. Bolivian tin production and the general economic situation will be seriously damaged.

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The most disturbing aspect of the situation from the standpoint of US interests is the fact that anti-US slogans and sentiments appeared to spark the disorders. Both MNR- and Communist-led groups agree in this policy of blaming "US imperialism" for their difficulties with the management of the mines and with the Bolivian Government.

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Situation Memorandum 32-49

31 May 1949

The Current Situation in Colombia

(Summary: The current situation contains no serious threats to US security interests. Colombia is faced with political tension during the election period. Communist strength is decreasing. The principal economic problem is imbalance in international payments. Coffee sales remain satisfactory but petroleum income and prospects for future development have decreased. The armed forces are a stabilizing influence in the country. Colombia has no serious international problems and is normally aligned with the US.)

Nothing in the current Colombian situation is causing or immediately portends noticeable impairment of US security interests. Of some concern, however, are the circumstances that political stability is not all that could be wished, even though the country has a good record for surmounting difficulties, and that long-term prospects for petroleum are less bright. Communist strength is diminishing.

The political situation in Colombia lacks stability at this time because of the bitterness between the two political parties. The all-Conservative cabinet established on 22 May (see [redacted] Weekly, 24 May 49) is the first since the Bogotá uprising to grant no representation to the majority Liberal Party. To date the police have been successful in controlling demonstrations protesting against the new cabinet, but the government, nevertheless, in an effort to assure tranquil elections, has now forbidden political parades, demonstrations, and radio broadcasts. The elections may well be held as scheduled on 5 June, although it is doubted that the Colombian Government will be able to suppress armed clashes entirely, even after 5 June, since these elections -- coming as they do before the 1950 presidential elections -- are important primarily as a significant test of political strength.

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The Communist Party, never too potent a political force in Colombia, is apparently losing strength. The Communists were unable to gain an alliance for election purposes even with the extreme leftists of the Liberal party.

Economically, Colombia's chief difficulty, perhaps, has been the imbalance in its international payments. Colombia's outflow of gold and foreign exchange was equal to US\$5 million in 1947, US\$32 million in 1948, and was increased to the equivalent of US\$24 million for the first quarter of 1949. By 1 April 1949, Colombia's total foreign exchange reserves had decreased to US\$66 million. A subsequent embargo on exchange releases superficially improved Colombia's reserve position, but caused commercial payments to

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fall in arrears. Present exchange regulations, which limit weekly exchange releases to dollar receipts of the preceding week, may drive up the cost of living because of the restriction of imports, but are expected to improve Colombia's exchange position.

Colombia's foreign exchange receipts may well remain close to 1948 levels. Coffee exports accounted for 79 percent of Colombia's 1948 foreign exchange receipts; sales for the first quarter of 1949 were almost at 1948 levels in both volume and value. For the current crop year, conditions are reported to be favorable, and, should coffee prices remain at approximately present levels, Colombia's exchange receipts should remain relatively satisfactory.

Another current economic problem in Colombia, and one of interest to the US as well, is the decline of petroleum exploration and production. Although prices in 1948 set an all-time high in Colombian oil history with an average value of \$2.54 per barrel as compared with the previous high of \$1.90 per barrel in 1947, in volume 1948 petroleum exports were 3.92 percent less than 1947 exports. Furthermore, several foreign oil companies, none of which had reached the production stage, have recently decided to cease operations in Colombia. Other companies have curtailed their operations. While the diminution in new petroleum investments is, in part, a result of the improved world supply position, it also reflects the particular difficulties facing the oil companies in Colombia — legislative obstacles, hampering administrative practices of the Colombian Government, and extensive labor troubles. Ambassador Beaulac is of the opinion that these difficulties would be overcome, provided that any aid granted to Colombia under Point IV be predicated upon the country's offering satisfactory facilities to private oil companies prior to or simultaneously with the economic aid given by the US. Even though there is no immediate prospect for improvement, the situation is not at present detrimental to US interests because of the improved world supply conditions. However, from a long-term point of view, if present hindrances to petroleum development remain, the situation would be harmful to US interests, which require that near-by sources of petroleum be developed as fully as possible.

The armed forces remain loyal to the Colombian Government rather than to either the Liberal or Conservative Parties, and are therefore a stabilizing influence in the country. Colombian armed forces totaled about 25,000 men as of 8 March, with the army and the military police making up 21,000. Under the supervision of the US Military Mission, the War College and the service schools in Bogotá have been conducting numerous field exercises on battalion level, with stress being placed on combined arms. The bulk of the present equipment of the armed forces is of little military value because of obsolescence and poor maintenance. However, the morale of the forces is reported to be good.

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Geography and the inherent preference of the Colombian people for Western culture insure a foreign policy generally oriented to that of the US and its closest associates. During peacetime, Colombia may from time to time take action running counter to US policy and desires (as in supporting the recently defeated Brazilian resolution on Spain in the United Nations). In case of war, however, the US is assured of Colombian support. In relations with other Latin American countries, Colombia's dispute with Peru concerning asylum for the APRA leader, Haya de la Torre, has been of major importance. Although the case has not been settled, the two countries have agreed to submit the question to the Hague Court, and the tension between them has now virtually disappeared. It has been reported that Colombia and Ecuador signed a military alliance under the stimulus of the tension over the Haya case.

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Situation Memorandum 33-19

31 May 1949

The Current Situation in Uruguay

(Summary: The position as to US security interests continues favorable. The government is relatively stable politically. The economic situation, somewhat weakened in the last quarter, is still no cause for serious concern. Communists are losing ground. Armed-force morale has recently improved. Uruguay's international position shows signs of being less intransigent.)

Uruguay continues to be conspicuous among Latin American countries as a bulwark to the US interest in stability and democracy of governments. US interest in Hemisphere solidarity, occasionally impaire<sup>d</sup> by Uruguayan over-zealous denunciations of "dictatorial" governments, has gained by (a) renewal of Uruguayan-Paraguayan relations, (b) Uruguay's decision not to introduce the matter of Venezuelan political prisoners to the UN General Assembly, and (c) the comparative moderateness of Uruguayan attitude at the ILO meeting.

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The political situation continues to develop along the lines indicated in [redacted] Weekly for 1 March 1949. The Batlle Berres government remains stable and has surmounted, at least temporarily, the major political and economic problems posed by the relentless Terrorista opposition. It is a reasonable expectation that the government will be able to maintain itself until the 1950 elections.

After three months of generally favorable business conditions, the economic outlook has recently caused mild concern in business and governmental circles. Domestic trade is satisfactory while international trade is sluggish. Sales of wool for export are very slow and failure to sell this product at satisfactory prices would seriously diminish Uruguay's foreign exchange income -- especially in dollars -- thus adversely affecting the entire economy. Reports that meat prices in European markets are dropping give added reason for concern, since meat is second only to wool as a source of foreign exchange. In order to stimulate foreign trade and assure markets and satisfactory prices for available surpluses of principal products, Uruguay is developing a broad trade program through the negotiation of numerous trade agreements. Especially significant is the negotiation, now nearly completed, of a "new model" US-Uruguay Treaty of Friendship, Economic Development and Commerce, which may make Uruguay a test case for President Truman's Point IV program to encourage the export of US industrial technique and commercial capital to underdeveloped countries.

The national budget for 1949, the first submitted to Congress since 1944, provides for the expenditure of 242 million pesos; present sources of income will produce an estimated 204 million pesos, so that new taxes

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will be necessary if a deficit is to be avoided. The three major items of expenditures are: the public debt (22 percent), national defense (12 percent), and public health (9 percent).

The Uruguayan armed forces, who, unlike those of most Latin American countries, normally exert slight influence on national politics and are composed solely of volunteers, are at their usual combined strength of approximately 11,000 — only about 0.5 percent of the total population. The type and quality of manpower and current training status are reported good by Latin American standards. Both officers and enlisted men are believed to be loyal to the present administration, though morale recently reached a low ebb because of undue presidential influence in military affairs. Tension created by this practice has been relieved, at least temporarily, by the administration's proposal of measures providing promotions and increased salaries for the members of the armed forces.

Local Communists are gradually losing ground among labor groups. Despite strenuous efforts, they were unable to stage significant demonstrations on May Day. However, they continue to participate actively in international Communist conferences, having sent delegates to the World Congress of Partisans for Peace in Paris and to the Tenth Congress of Soviet Trade Unions in Moscow.

Labor, on the whole, is quiet. The only significant strike was the recent 16-day work stoppage in the Montevideo packing houses, which seriously interrupted meat production both for local consumption and for export. Termination of the strike was achieved, although the basic issues remained unsettled.

International relations remain basically unchanged except for the renewal of diplomatic relations with Paraguay, broken since the exchange of recriminatory notes during the Paraguayan civil war. Relations with Brazil are cordial; with Argentina, strained. Uruguayan participation in the recent ILO conference was less inflammatory than had been expected. Anti-Franco feeling is as intense as ever, both among official circles and among the general populace. The administration's feeling against military governments of Peru, Venezuela, and El Salvador remains strong. It was only last-minute reconsideration, at the suggestion of the US, that made the Uruguayan delegate to the UN desist from introducing in the General Assembly the human rights question in the case of the detention of Venezuelan political prisoners. The US desire not to air the problem before the UN has caused Uruguayan officials to question the consistency of US policy, which they feel advocates democracy but does not always back up the supporters of democratic principles.

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The Current Situation in Argentina

(Summary: US security interests are concerned in the lack of political stability and the possibilities of a move to authoritarianism. The present unstable political situation could develop in three ways, the third being considered most probable: Perón might support the advocates of economic reform with economic rehabilitation and increase political stability as a result; Perón may give way to army rule; Perón may move toward a clearly authoritarian government based on extreme nationalism. The armed forces are militarily in good shape and temporarily reluctant to assume political control. The economy suffers from inflation and from stagnation of foreign trade, and prospects for immediate improvement are not good. Internationally, Argentina has been recently less aggressively independent.)

1. Concerns relative to US security interests

Present Argentine political instability is unfavorable for US interest in stability of governments, and the most likely development would be unfavorable for the US interest in democratic governments and in Hemisphere solidarity. Present minor Communist capabilities are unlikely to increase except in case of breakdown of civil authority in a period of army-labor strife.

2. Political

At the present moment persisting factors unfavorable for the stability of the Perón regime outweigh a single, more recent, favorable factor. Conflict between powerful groups at the policy-making level continues unabated, particularly that between Foreign Minister Bramuglia's economic reform group and Señora Perón's obstructionist clique. The President's hold on essential army and essential labor support (see [redacted] Weekly, 26 Apr 49) has weakened and there is no present indication that he is able to arrest this trend. The economic situation -- which possibly should be rated the major factor in army disaffection, labor discontent and government instability -- continues to deteriorate (see 5, below). It is true that the recent Argentine initiative for a joint US-Argentine effort to improve the economic situation is a favorable factor; but it is doubtful that this step has been taken in time and that Perón can or will provide the Bramuglia group with adequate backing and authority to implement even this limited hope.

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"This situation will probably develop in one of three ways. First, and least likely, is that Perón will muster the determination and the

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power to repress the internal conflicts in his government long enough to give the new proposals a trial and that they will be successful in alleviating the economic situation; such a result, however, would be favorable not only for the stability of the Perón government and for US-Argentine relations but also for US interests in economic and political stability in the inter-American community of nations. The second possibility — more likely than the first but less probable than the third possible development — is the replacement of Perón by an army junta either through a coup or as a result of his voluntary retirement. The third possibility — the development which appears most probable at the present time -- is that Perón will temporize and maneuver to postpone a real solution but will find himself forced to resort to increasingly authoritarian and demagogic measures to maintain himself in power.

If the present Argentine Government should be overthrown by the army, widespread violence would probably precede the establishment of effective military control, because Perón, under the influence of his wife, could be expected to call on their fanatical labor following to resist a military threat to the regime. The resulting period of confusion would offer possibilities for Communist exploitation, limited though the capabilities (see 3. below) of this group are. Even if Perón were to withdraw from the scene voluntarily, as now seems relatively unlikely, it is improbable that a stable government capable of avoiding army-labor conflict would result, because sharply conflicting interests under present economic stress would prevent agreement on a mutually acceptable successor. If Perón leaves the government in the present crisis either as a result of force majeure or voluntarily, the succeeding regime will probably adopt repressive measures that will have adverse effects on US interests similar to those to be expected of Perón if, as is expected, he attempts to stay in power through authoritarian methods.

If Perón resorts to increasingly authoritarian measures, his actions will have serious implications for US security interests in Hemisphere solidarity and democratic stability. An emergency authoritarian program could be expected to accelerate the nationalization of foreign-owned properties, including those of the US. It would also curtail civil liberties — including freedom of speech — and would alarm neighboring countries — particularly Uruguay, Chile, and Brazil — thus undermining Hemisphere solidarity by aggravating the tension between "democratic" and "dictatorship" countries. Finally, Perón under these circumstances would be apt publicly to blame the US for Argentina's economic adversities and revert to the anti-US "Third Position" foreign policy with conciliatory gestures to the USSR. Even under these circumstances, however, his activities would hardly pass beyond a stubborn insistence on Argentine independence of the East-West conflict, and no substantial Argentine-Soviet collaboration need be expected.

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### 3. Subversive

The Communist Party of Argentina, though numerically weak (40,000 dues-paying members and 300,000 non-Communist sympathizers) and split by internal dissension is, nevertheless, so strategically entrenched in key industries that it is a source of genuine concern to the Perón government, particularly since labor has become increasingly discontented as the economy has deteriorated. The Perón regime has undertaken increasingly important anti-Communist measures during the past year, especially after the Communists dropped their policy of expedient collaboration (based on Perón's nuisance value to the US) and attacked the administration's constitutional reform program in December 1948. These anti-Communist measures have included denial of some information media, increasing numbers of arrests, and intensified vigilance against sabotage. Particularly important among the regime's anti-Communist measures was the recent dissolution of the Soviet-sponsored Slav Union, an action which may be preliminary to outlawing the Communist Party.

### 4. Military

The Argentine Army, with an approximate strength of 105,000 officers and men, is second to that of Brazil in strength, and has relatively less modern equipment than the Brazilian Army. Present technical proficiency, quality of manpower, and morale are exceptionally high by Latin American standards. The leaders of the army, who are the ultimate arbiters of domestic political power and are predominantly in favor of collaboration with the US, have for several months been restrained from forcing Perón's hand or removing him from office only by fear of possible consequences and by division among themselves. An uneasy truce between the army and the Señora Perón clique, whose political interference and obstruction it deplores, is respected by the army only because of its fear that forceful action — assuming, as is probable, that the Peróns would call on their fanatical labor following to resist — would probably precipitate violence and bloodshed and perhaps a permanent cleavage between the army and labor. Also the current division among top military leaders strengthens Perón's hand by enabling him to play one group off against another. But should discontent with economic conditions lead to increasing labor unrest and disorder, as expected, military opposition to Perón may strengthen, reconsolidate, and force a showdown.

### 5. Economic

The Argentine economy is now characterized by dangerous inflation, shortages of producers and consumer goods, financial instability, and some unemployment. A low volume of foreign trade has contributed greatly to dislocations in the domestic economy. Shortages of essential import

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items have closed some factories and threatened others. Government-sponsored wage increases and other employee benefits have — in the absence of compensating increases in labor productivity — increased production costs. These wage increases have also attracted rural labor into industry, with consequent decline in agricultural production, the major source of foreign exchange.

The most important key to the recovery of the Argentine economy lies in the rehabilitation of foreign trade, which has stagnated during the last year largely as a result of two factors — persistence in a high-price policy despite the end of the sellers' market in most export items and the stultifying effect of state trading. Elements in the government — represented chiefly by Foreign Minister Bramuglia and reinforced to a certain extent by the army — have sought valiantly — particularly since the beginning of 1949 — to secure the adoption of realistic trade and price policies. Their efforts have to date been largely frustrated by the obstruction of political opportunists who reach Perón through his wife's championship of their cause. It is true that the recent Argentine initiative — for joint Argentine-US efforts to increase Argentine exports to the US on the basis of realistic prices and Argentine commitments to protect US interests in Argentina — offers some hope for the adoption and implementation of changes in economic policy essential to relieve the threats to the stability of the government. Prospects for such a development, however, are not good, because the Señora Perón clique continues its aggressive and bitter obstruction to the Bramuglia reform group and can be expected to influence Perón toward an extreme nationalist course.

#### 6. International

Among the more striking developments in Argentine foreign relations that have coincided with the increasing severity of the economic crisis have been a sharp retreat from the anti-US "Third Position" foreign policy and a decided loss of prestige and influence in Latin America. There has also been a noticeable cooling of relations with Franco Spain during recent months, as commercial difficulties and personal conflicts involving Señora Perón have led to suspension of Argentine sponsorship of Spain in the UN. Argentina has given a somewhat more definite indication of political antipathy toward the USSR during the past year despite the fact that inability to buy in the West has encouraged commercial intercourse with satellite nations.

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